



UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

093849

GENERAL GOVERNMENT  
DIVISION

APR 19 1973

The Honorable Vernon D. Acree  
Commissioner, Bureau of Customs

ACC 00156



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Dear Mr. Acree:

In a report dated January 18, 1973, to the Committee on Finance, United States Senate, and the Committee on Ways and Means, House of Representatives, a copy of which was sent to you, we recommended several changes in the Tariff Act pertaining to imported lead and zinc in bonded warehouses. We also have a recommendation relating to administrative matters which could be corrected by the Bureau and were therefore not included in the report to the legislative committees.

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LACK OF ADEQUATE CONTROLS OVER REPORTING  
OF INVENTORIES AND BOND CHARGES

The Tariff Act of 1930 permits deferring payment of duties on metal-bearing materials until the metal enters domestic commerce, or until 3 years elapse, whichever happens first. Duties are charged against the companies' bonds guaranteeing payment. If metals are exported, charges are canceled.

Bond charges may be established at any bonded warehouse of a multiplant company, and the records of these bond charges are maintained by the Bureau at the bonded warehouses. In some cases, records of bond charges for one multiplant company may be on file at warehouses in two or more Customs districts. For example, the records of bond charges for one company included in our review were maintained at warehouses in eight Bureau of Customs districts.

The multiplant smelting and refining companies are required to file monthly statements of the inventories of metals subject to duty on hand at each plant and of the total bond charges for the company. When the bond charges exceed the company's inventory, the company determines those bond charges which are to be canceled by payment of duty.

The monthly statement is filed with the Bureau of Customs headquarters and with the applicable district office. However, because companies report bond charges in total only, there is no way each district office can determine

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whether all bond charges in its district have been included in the total. Information is not available at Customs headquarters to determine whether the total reported is correct.

Customs regulations require that each district shall be responsible for determining the correctness of the inventory reported for the amounts held at smelting and refining plants within the district. Although the inventory of metals on hand is shown for each plant, Customs personnel did not verify the correctness of the amount reported, as required by Customs regulations.

Customs district officials advised us that there were no means available for verifying actual inventories and reliance had to be placed on the companies' statements. Three Customs warehouse officers at bonded warehouses visited by us stated that they did not verify inventories and one of these officers reported that he did not even receive a copy of the company's monthly statement.

Without a system which insures that all bond charges have been included in the monthly statement and that provides the Bureau with reasonable assurance that the inventories reported are correct, payment of duty could be delayed by understating the total bond charges or overstating the inventory.

The Bureau's district offices should be able to determine whether all bond charges in their district have been included in the monthly statement. The Bureau should therefore require the companies to identify the bond charges at each of their plants included in their monthly statements.

We also believe that the Bureau should review its regulations and practices for verifying inventories at bonded smelting and refining warehouses. We believe the regulations should place the major emphasis on an examination of the companies' inventory procedures and practices along with independent testing by Customs on a selective basis.

RECOMMENDATIONS TO THE  
COMMISSIONER OF CUSTOMS

We recommend that:

- Smelting and refining companies be required to include in their monthly reports information on the bond charges at each of their warehouses.
  
- Customs regulations and practices for the verification of inventories at bonded smelting and refining warehouses be reviewed and revised to place the major emphasis on an examination of the companies' inventory procedures and practices along with independent testing by Customs on a selective basis.

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